



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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November 7, 2005

TO: Governor's Council of Economic Advisors

FROM: ChangMook Sohn, Executive Director
Economic and Revenue Forecast Council

SUBJECT: REVISED ECONOMIC FORECAST

The preliminary economic forecast has been revised since its initial release on October 28, 2005. The new forecast incorporates the NYMEX futures prices for light sweet crude as of November 3, 2005. The NYMEX futures prices remains above \$60 per barrel throughout the forecast rather than declining to less than \$50 by the end of 2007. The main result was to raise inflation and lower real growth slightly in 2007. The impact of the change is summarized in the table below. The forecast should continue to be regarded as preliminary until adopted by the Economic and Revenue Forecast Council which is scheduled to consider the forecast on November 17th 2005.

If you have questions regarding the preliminary economic forecast please contact Bret Bertolin at (360) 570-6106.

November Higher Oil Price Scenario

	<u>2005Q3</u>	<u>2005Q4</u>	<u>2006Q1</u>	<u>2006Q2</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
West Texas Intermediate*							
November Higher Oil	63.2	61.0	60.9	61.5	56.8	61.4	60.8
November Preliminary	63.1	65.8	63.6	61.5	58.0	60.5	51.7
Difference	0.1	-4.8	-2.7	0.0	-1.2	1.0	9.0
Implicit Price Deflator, Percent change							
November Higher Oil	3.80	3.51	2.42	1.11	2.89	2.54	2.16
November Preliminary	3.78	4.03	2.46	0.80	2.92	2.52	1.77
Difference	0.01	-0.53	-0.04	0.30	-0.03	0.02	0.39
Implicit Price Deflator (Core), Percent change							
November Higher Oil	1.55	2.57	2.69	2.67	2.05	2.45	2.55
November Preliminary	1.55	2.61	2.74	2.68	2.05	2.46	2.46
Difference	0.00	-0.04	-0.05	0.00	0.00	-0.01	0.09
Washington Payroll Employment, Percent change							
November Higher Oil	1.84	2.62	2.59	2.35	2.72	2.41	2.11
November Preliminary	1.84	2.59	2.58	2.34	2.72	2.40	2.12
Difference	0.00	0.03	0.01	0.01	0.00	0.01	-0.02
Washington Real Personal Income, Percent change							
November Higher Oil	6.38	-0.96	5.05	6.17	0.16	4.68	4.67
November Preliminary	6.38	-1.51	4.98	6.52	0.13	4.70	5.08
Difference	0.00	0.55	0.07	-0.35	0.04	-0.02	-0.42
Washington Nominal Personal Income, Percent change							
November Higher Oil	10.44	2.53	7.59	7.34	3.03	7.35	6.93
November Preliminary	10.44	2.46	7.56	7.38	3.03	7.35	6.95
Difference	0.00	0.06	0.03	-0.03	0.00	0.01	-0.02

*Based on NYMEX futures price for light, sweet crude oil, as of 11/3/05